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SUBJECT: TAIWAN DOH AGREES TO REGULAR MEETINGS WITH PHRMA
COMPANIES ON PRICING

11. (U) Summary: Country managers from PhRMA companies joined AIT in a meeting with Department of Health (DOH) Deputy Minister Chen Shih-chung to discuss pharmaceutical pricing issues and the DOH proposal to extend National Health Insurance (NHI) reimbursement caps (commonly referred to as the "global budget") to all hospitals and medical centers in Taiwan. Chen insisted that health and safety were DOH's primary concern and offered that actual transaction pricing and the separation of prescribing and dispensing were part of Taiwan's long term health plans. Chen explained that the Bureau of National Health Insurance (BNHI) had learned valuable lessons from its previous experience in implementing a limited global budget scheme and was proposing creating a two-tier system that would reduce incentives for hospitals to dump high-cost patients. In response to concerns that DOH had not done enough to share information with industry, Chen promised to support regular meetings between the BNHI and PhRMA companies to discuss any industry concerns. End Summary.

12. (U) AIT Econ officer and country managers from PhRMA members Eli Lilly, Merck, and Pfizer met with DOH Deputy Minister Chen November 21 to discuss pharmaceutical pricing issues and a new BNHI proposal to extend global budgeting nationwide in early January 2006. PhRMA members had only been made aware of the BNHI proposal in early November and expressed serious concerns that not only would such a move lead to increased incidents of patient dumping -- the practice of refusing to treat patients with difficult, chronic, or expensive-to-treat illnesses -- but would lead to increased pressure from hospitals and medical centers for pharmaceutical companies to provide even deeper discounts on pharmaceutical products.

The root of the problem

13. (U) Chen began by insisting that DOH was concerned only by how to provide the most effective and efficient treatment for Taiwanese patients, and that cost did not enter into DOH's policy considerations. He praised the manufacturers of innovative medicines and offered that DOH was always willing to work with them to improve the safety and effectiveness of Taiwan's health care system. Eli Lilly country manager and PhRMA's Taiwan representative Melt van der Spuy noted that Taiwan's current system actually encourages over-prescribing and that moving to actual transaction pricing (ATP) would reduce incentives for doctors and medical centers to view prescriptions as a cash cow. BNHI needed to cut costs but would be better served by taking steps to cut generic reimbursement prices, discourage over-prescribing and reduce doctor visits, he said. Chen acknowledged BNHI's financial difficulties but pointed to the lack of a transparent hospital accounting system as a reason ATP implementation would be difficult. BNHI needed to maintain stability to best serve the people of Taiwan, he said. Changing doctor and patient behaviors, Chen responded, would require education over a long period and if forced on the system would lead to instability.

14. (U) Merck's regional Executive Director Mark Tennyson suggested the U.S. had implemented an ATP system without generating instability. Chen responded that Taiwan's low service fees made it difficult. He suggested Taiwan did not want to experience doctor strikes as in Korea when the government tried to implement changes to the prescription system. Chen said he understood the concerns of the pharmaceutical industry, but that Taiwan needed time to develop the expertise and ability to make successful any necessary changes in the current system. In the long term, Taiwan would want to move towards separating prescribing and dispensing and would also want to improve accounting standards. But before these pieces were in place, Chen thought enforcing ATP would be very difficult. Chen told AIT that BNHI would propose unspecified measures in 2006 that would try to address over-prescribing. He acknowledged that previous attempts to reform NHI finances had not focused on this part of the problem.

15. (U) When asked about the proposal to implement a nation-wide global budget system by January 2006, Chen replied that this new proposal would not lead to the same kind of problems seen when global budgeting was first implemented in several of the larger hospitals and medical centers in July 2004. At that time, reports of patients being denied treatment for expensive illnesses or being shunted from hospital to hospital led DOH to threaten to impose fines on any facility found to be engaging in this kind of patient dumping. The new proposal would actually create a two-tier reimbursement mechanism with one part capped, and another part more flexible. He promised BNHI would closely monitor the standard of patient care.

16. (U) AIT Econoff offered that there had been no consultation or efforts to inform industry about these prospective changes and suggested that early sharing of information could help to avoid misunderstandings, noting that industry had useful experiences to offer. Chen first suggested there was no point in consulting until DOH had decided the details of its plans, but when reminded that consultation is most effective before decisions have been finalized, volunteered to arrange a bimonthly meeting between the PhRMA companies and BNHI to discuss plans and concerns, beginning with a detailed explanation of the BNHI universal global budget proposal.

17. (SBU) Comment: Deputy Minister Chen's assertion that cost is not a concern for DOH policy-makers is disingenuous and directly contradicts the message from others in Taiwan's health care policy establishment, including DOH Minister Hou. His offer of a bimonthly consultative meeting with PhRMA companies is very welcome, even at this late date, but is a good illustration of a serious weakness in the DOH decision-making culture. DOH is led by Taiwanese doctors. Like most doctors in Taiwan they are confident in their ability to diagnose and prescribe the best medicine, and dismissive of the need for consultation and discussion. Engaging BNHI in a more regular manner is bound to be positive, but we suspect that changing the behavior of Taiwan patients will be a quicker and easier task than changing the culture of the DOH. End Comment.
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